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ABSTRACT

The Annie E. Casey Foundation's Jobs Initiative is a six-city workforce initiative aimed at helping disadvantaged adults earn their way out of poverty. Between 1995 and 2002, the initiative enrolled more than 17,000 adults and placed 8,090 people in jobs. Most Jobs Initiative participants were working 18 months after enrollment in the program, and 93% had employer-provided health insurance. The Job Initiative's success offers the following lessons: (1) effective programs combine a variety of skill-building activities, including educational activities; (2) credentials matter; and (3) workforce intermediaries can facilitate success for low-income workers in community colleges. Specific implications of the Jobs Initiative for those policymakers who will be involved in the 2004 reauthorization of the Higher Education Act (HEA) are as follows: (1) tailor financial aid for education to working adults with children (modify the Pell grant program and create a new HEA title X to provide financial aid tailored to working parents); (2) make the Lifetime Learning Tax Credit refundable for people who earn too little to claim the credit's full value; (3) provide incentives to colleges to develop innovative skills programs tailored to working adults; (4) encourage partnerships between workforce intermediaries and community colleges; and (5) increase employer incentives to support skill building for low-wage employees. (Contains 9 references.) (MN)

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Education Policy AND THE *AECF Jobs Initiative*

THE ANNIE E. CASEY FOUNDATION'S JOBS INITIATIVE has assisted over 17,000 adults in their efforts to earn their way out of poverty. More than 70% of the Initiative's participants are over 25 years old, yet 35% did not have a high school diploma and 75% had no education beyond high school at the time of enrollment. This is not surprising. The data confirm what we already know; poverty is highly correlated with low education levels. Conversely, poverty decreases for each year of education beyond high school. It is this apparent nexus between education and income that causes the Annie E. Casey Foundation's Jobs Initiative to explore the barriers and opportunities for increasing educational attainment among low-income adults in federal education policy. The upcoming 2004 reauthorization of the Higher Education Act (HEA) provides an opportunity for our country to make changes that would benefit the new majority of postsecondary students: working adults. The Act, written to increase access to education, could better accomplish that mission by deliberately structuring financial aid and incentives to colleges to meet the distinct needs of adult learners.

THE ANNIE E. CASEY FOUNDATION

Since 1995, the Annie E. Casey Foundation has supported the Jobs Initiative, a six-city workforce development initiative. The Foundation has commissioned workforce specialist Wendy Fleischer to prepare a series of issue briefs on the Initiative and its implications for policymakers.

The Jobs Initiative

THE JOBS INITIATIVE, premised on the value that disadvantaged people should be able to work their way out of poverty, aims to improve the lives of

BY WENDY FLEISCHER

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disadvantaged workers and to improve local systems to support that objective. The Initiative is implemented by intermediary organizations — in one case a city agency, in other cases, regional nonprofit workforce organizations, that collaborate with employers, government agencies, community-based organizations and community colleges to attain their mission. The intermediaries are:

East-West Gateway Coordinating Council of St. Louis;
Milwaukee Jobs Initiative;
New Orleans Jobs Initiative;
Piton Foundation in Denver[1]*;*
Seattle Economic Development Department; and,
The Reinvestment Fund in Philadelphia.

Between 1995 and December 2002, the Jobs Initiative enrolled over 17,000 people who were even more disadvantaged than had been expected. In addition to their limited educations, at the time of enrollment, as many as 40% of participants were single parents with children living at home; close to 20% did not speak English as their primary language; and, the median income for participants who had ever worked was only $6,000. Nearly 45% received public assistance at the time of enrollment. And yet, participants' progress through the Jobs Initiative has been impressive.

Participants' progress through the Jobs Initiative is impressive.

Results

Between 1995 and 2002:

- 8090 people have been placed in jobs. The Jobs Initiative mean placement wage was $9.13 per hour and the mean retention wage was $9.84.
- Most Jobs Initiative participants interviewed in a follow-up study conducted by independent evaluators were working 18 months after enrollment.
- The rate of participants placed through the JI who were offered health insurance through their employers increased from 50% to 93%.
- Participants placed at higher wages increased both the number of hours worked per week and the number of weeks employed per year.

[1] In 2002, the Denver workforce Initiative decided not to proceed into the systems reform phase of the Jobs Initiative.

Lessons of the Jobs Initiative for Education Policy

The Jobs Initiative achieved these results by combining a variety of skill-building activities, including educational activities.

JOB PLACEMENT SERVICES WERE MOST EFFECTIVE when complemented with an individually tailored package of skill enhancements including: job readiness, soft skills training, hard skills training, and job retention/support services. Abt Associates reports that, of a sample of JI participants, 67% received job readiness services; 50% received support services; 51% received hard skills training; and, 70% received soft skills training. According to this survey, about 8% were awarded an additional educational degree (primarily a GED/high school diploma) and 20% of participants received a technical certificate after enrollment in the JI. While job readiness services have proven to be the most important predictor of three-month retention milestones, hard skills are more important in predicting the 12-month retention milestones.

PARTICIPANTS' HIGHEST GRADE COMPLETED AT ENROLLMENT	WAGE AT FIRST JI JOB PLACEMENT	ONE-YEAR RETENTION RATE
9th (295)	$ 8.32	45%
10th (252)	$ 8.37	38%
11th (1,035)	$ 8.75	40%
12th (2,754)	$ 9.13	51%
1 year of college (738)	$ 9.68	56%
2 years of college (479)	$ 9.80	55%
3 years of college (149)	$ 9.78	53%
4 years of college (289)	$10.13	64%

3/31/03 data.
Source: Metis Associates

Credentials matter.

An ethnography conducted by Roberta Iversen of the University of Pennsylvania found that participation in the Jobs Initiative programs provided a credential that gave disadvantaged job seekers a chance to qualify for jobs they would not have gotten otherwise. Higher educational credentials are highly correlated with higher wages. Jobs Initiative participants with less than a high school degree, in a sample studied by Abt Associates, earned half as much ($5,681) as those with a high school diploma ($11,301) while the few with an associates degree earned 31% more ($14,796).

Workforce intermediaries can facilitate success for low-income workers in community colleges.

Nonprofit entrepreneurial efforts seek to leverage the infrastructure of the community college system – classrooms, faculty, credentialing capabilities —to the benefit of low-wage workers. Partnerships in Seattle, New Orleans and other JI sites provide evidence that these partnerships work to help people to leave welfare and become financially self-sufficient. Seattle, for example, helped two colleges be more effective in educating low-income adults by adding a soft skills curriculum to their class, providing an on-site trainer to link between trainees and case managers, and connecting students with an employer broker to conduct job placement. The Seattle Vocational Institute, after a successful trial paid for by the Annie E. Casey Foundation and other Jobs Initiative funders, has taken over responsibility for financing the office skills class using Pell grants, waivers, and dislocated worker funds. SJI also has a successful partnership with South Seattle Community College to provide an entry-level welding class. Participants are mostly high school dropouts; 80% of trainees have histories with drugs and alcohol, and 50% have criminal records. Yet, attendance in the class is nearly perfect and when participants complete the class they have moved up several grade levels and have the credential to get a job in manufacturing. These partnerships are hard-won but very effective.

Policy Implications for the Higher Education Act

The purpose of the Higher Education Act (HEA) is to increase accessibility to education. But the needs of a significant constituency for training and education — working adults with dependent children — are not being met. According to the Almanac of Policy Issues, adults older than 24 years, or enrolled on a part-time basis, are the majority of all students (53% in 1999). The FutureWorks company estimates that there are six times as many adults pursuing training and education as there are students in traditional higher education programs. But HEA financial aid is mostly reaching younger high school graduates dependent on their parents. The needs of worker-learners are different from those of most 18-year-old high school graduates. Adults in school have to juggle the responsibilities of work and children. As a result, they often attend one course at a time; they prefer short courses available at times they are not working. Parents require day care for their children while attending class. They earn more income than most "traditional" students and take fewer courses, but have many more expenses. School is very difficult to squeeze in and yet, if they do not increase their skills, they and their children will most likely remain mired in poverty. Employers increasingly demand

Partnerships work to help people leave welfare and become financially self-sufficient.

skills and credentials from even entry-level workers. While HEA technically can meet these needs, in practice, the Act encourages colleges to award HEA funds to the more traditional student.

As HEA reauthorization is being considered, it is critical for both employers and low-wage earners that solutions be devised to broaden access to education. The Annie E. Casey Foundation Jobs Initiative sites are pressing forward in their work to partner with community colleges to benefit JI participants. Otherwise, participants have limited access to the financial aid available through HEA. Working men and women who are seeking to increase their income through training and hard work are unable to access these funds. This initial exploration of the barriers to post-secondary education for the JI clients and others like them has surfaced the following ideas about how HEA could better meet its goals of improved access to education:

- Tailor financial aid for education to working adults with children.
- Make the Lifetime Learning Tax Credit refundable for people who earn too little to claim the full value of the credit.
- Provide incentives to colleges to innovate credentialed skills programs tailored to working adults.
- Encourage partnerships between workforce intermediaries and community colleges.
- Increase employer incentives to support skill building for low-wage employees.

Tailor financial aid for education to working adults with children.

Most of the funding authorized through HEA is in the Act's Title IV. Over $50 billion is available, mostly for loans, but a large sum, $9.581 billion, is distributed through the Pell Grants Program. Grants are preferable to loans in enabling low-income people to complete classes and lead them out of poverty. Pell grants provide aid for tuition and education-related expenses for income-eligible students; but, despite the fact that they are often technically eligible, adults with jobs and families generally do not qualify for the Pell Grant program. Modifications in the Act could ameliorate this problem.

It is critical that solutions be devised to broaden access to education.

Even with most dollars going to "traditional" students, the demand by students eligible for Pell grants already exceeds supply. Undoubtedly, some of the constituents for education will view the problem as a zero-sum equation such that financial aid directed toward working adults is aid taken from low-income families struggling to send their children to college. More innovative and far-reaching solutions are needed to address the education needs of our whole society and economy.

Legislators have at least two options to make financial aid available for adult student-workers. They could 1) expand the Pell program budget to cover far more students while modifying Title IV provisions to direct more Pell funds to adult learners or, 2) create a new student aid program tailored to education for working parents.

Expand the Pell program budget to cover additional students while improving Title IV incentives to encourage colleges to award Pell grants to adult learners. One way to meet the needs of both younger students and working adults is to expand the pie by significantly increasing the Pell grants budget. But this in itself would not solve the problem, as the Act includes formulaic barriers to adult learners' eligibility for Pell grants. Even though the Act technically allows working adults to receive the grants, the following provisions need to be amended to encourage colleges to serve working adults.

TAILOR FINANCIAL AID FOR EDUCATION TO WORKING ADULTS WITH CHILDREN.

Most of the funding authorized through HEA is in the Act's Title IV. Over $50 billion is available, mostly for loans, but a large sum, $9.581 billion, is distributed through the Pell Grants Program. Grants are preferable to loans in enabling low-income people to complete classes and lead them out of poverty. Pell grants provide aid for tuition and education-related expenses for income-eligible students; but, despite the fact that they are often technically eligible, adults with jobs and families generally do not qualify for the Pell Grant program. Modifications in the Act could ameliorate this problem.

Redefine "regular student" in the Pell regulations to address the needs of adult learners. In the current regulations, Pell grants are limited to students in formal degree or certificate programs. Often, adults enroll in short-term, non-degree programs to build their skills. While these short courses may be part of a program that could lead to a certificate and/or degree, colleges generally choose to give grants to students who are enrolled full- or, at least half-time, in long-term degree programs. It is good public policy to provide financial aid to the adult learners who can benefit from immediate advancement in their jobs and use these courses as stepping-stones to certificates or degrees.

Revise "satisfactory progress" requirements to accommodate adults who take one or two classes at a time and often take time away from school.

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Working adults may not meet the federally defined minimum standards for academic performance and progress of study even though they are attaining important milestones to more credentials and career advancement. Differentiating working adults from full-time college students would encourage colleges to make aid available to adult learners.

Allow true costs of working parents to be included in minimum qualification requirements. Because working parents in school often take one course at a time, their tuition costs are low. A FutureWorks report cited the National Postsecondary Student Aid Study showing that the average cost for a working parent attending school less than half-time during the 1999-2000 school year was $500 for course tuition and $2200 to cover their living expenses. Lost wages also increase the costs for adults. The Pell regulations specify that the cost of attendance be a minimum of $800. While schools technically can include certain costs other than tuition and fees for less-than-half-time students, most choose to disqualify students who pay less than $800 in school-related costs, i.e., tuition, fees, books, supplies. Calculation of income and costs should be altered for adults to reflect their financial situation, which differs substantially from that of dependent, traditional students. Alternatively, legislators might consider whether it is more appropriate to:

Create a new section of HEA, Title X, to provide financial aid tailored to working adults. A legislative alternative to forcing adult learners to compete with full-time students for a single pot of funds is to create a new title for the Act that acknowledges the large pool of adult learners who need assistance getting credentials to participate more effectively in the workforce. This could provide small grants to working parents who wish to increase their skills but who are most likely to do so one or two classes at a time, may take many years to complete a certificate or degree program, and may attend school intermittently. Such aid would recognize the need for day care while students are in class and recognize that these students will often attend courses less than half-time. At the same time, the funding would be geared toward classes that can lead to certificates and/or provide credits toward degree programs.

Alternatively, and as FutureWorks has recommended, a new title could provide incentives to state governments or educational institutions to better serve working adult students. For example, Title X funds could award states funds over a limited number of years contingent upon their ability to create better opportunities for low- and moderate-income working adults to access and complete credentialed education.

A new title could provide incentives to state governments or educational institutions to better serve working adult students.

Make the Lifetime Learning Tax Credit refundable for people who earn too little to claim the full value of the credit.

Authorized by Congress in 1997, The Lifetime Learning Tax Credit was devised to further increase access to education. Yet, it is not meeting the needs of low-income, working adults. An analysis by FutureWorks suggests that use of the tax credit has been limited and its structure is problematic for low-wage working students. First, low-wage adults often do not have the discretionary money to pay for courses up front, which is required under this credit. Second, they often do not know about the credit. Even more importantly, low-income earners often do not earn enough taxable income to benefit. One solution might be to make the credit refundable, similar to the Federal Earned Income Tax Credit. Adults who qualify for the credit, but do not have a high enough tax bill to use the credit against their taxes, can receive a "negative tax" — that is, they would receive the value of the credit in the form of a cash payment. Incentives to use this cash payment for further education would exhibit strategic planning by the federal government in encouraging human capital investment.

MAKE THE LIFETIME LEARNING TAX CREDIT REFUNDABLE FOR PEOPLE WHO EARN TOO LITTLE TO CLAIM THE FULL VALUE OF THE CREDIT.

Provide incentives to colleges to develop innovative skills programs tailored to working adults.

Encourage partnerships between workforce intermediaries and community colleges.

Increase employer incentives to support skill-building for low-wage employees.

Provide incentives to colleges to develop innovative skills programs tailored to working adults.

HEA and the college system provide the foundation to support the continuous, lifetime learning needed for the well being of our economy. Classrooms, faculty and credentials can be harnessed to create credentialed skill-building programs in line with the needs of local employers and employees. But despite its intentions to increase access to education, HEA's incentives are mainly targeted to the dependent student supported by his parents. HEA could become a source of funds to induce colleges to make use of their facilities, night and day, to benefit a far broader swath of students. Under this system, colleges would routinely provide classes during evening and weekend hours; they would create modularized curriculums that break down longer, degree-bearing courses into distinct, short courses that provide skills needed for immediate job advancement. This could be accomplished under a new Title X.

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Encourage partnerships between workforce intermediaries and community colleges.

In addition to the JI sites, many community-based workforce organizations (CBOs) are partnering with colleges to the benefit of low-income earners. According to a report by the Knowledge Works Foundation, some are seeing program completion rates of over 75% and starting to move to scale, serving hundreds of individuals each year. CBOs may provide recruitment, job-school readiness, links to employers, support services, job placement and job retention services. These relationships improve coordination between the educational and vocational education systems, enabling adults to advance in their careers while getting accredited incrementally. Government should foster these partnerships as a way to increase access to education.

Increase employer incentives to support skill building for low-wage employees.

Separate from the HEA, the US tax code provides tax credits to employers for tuition and related costs for their workers. While the tax credits are underused, they have potential as a source of funding for skill-building programs. With more marketing and increased availability of credentialed programs for entry-level workers, employers may take advantage of these incentives for a broader spectrum of their employees than they are currently doing. Employer tax credits could reduce the means testing, eligibility determination and associated verification barriers that have prevented the flow of federal support to "nontraditional" students. The Economic Growth and Tax Relief Reconciliation Act of 2001 instituted Section 127 as a permanent part of the tax code. Now that this tax credit is a stable benefit for employers, they should be more encouraged to use it.

THE HIGHER EDUCATION ACT OF 1965 was intended to increase access to education for low-income traditional students. However, in today's educational environment, its current structure as biased toward serving only a minority of the population that requires educational and skill credentials is outdated. Reauthorization of the Act in 2004 provides an opportunity for legislators to reach a far greater constituency. By including working adults in the pool of learners that stand to benefit from education and skill building, legislators can provide a way for adults to earn and learn their way out of poverty while providing employers with the workers they need.

Partnerships between workforce intermediaries and community colleges benefit low-income earners.

POLICY 9 BRIEF

The Annie E. Casey Foundation is a private charitable organization dedicated to helping build better futures for disadvantaged children in the United States. It was established in 1948 by Jim Casey, one of the founders of United Parcel Service, and his siblings, who named the Foundation in honor of their mother. The primary mission of the Foundation is to foster public policies, human-service reforms, and community supports that more effectively meet the needs of today's vulnerable children and families. In pursuit of this goal, the Foundation makes grants that help states, cities and neighborhoods fashion more innovative, cost-effective responses to these needs. For more information about the Annie E. Casey Foundation and the Jobs Initiative visit the Foundation's website: **www.aecf.org** or see the *"Catalogue of Innovations in Workforce Reform: Products from the Annie E. Casey Foundation's Jobs Initiative"* available from: Annie E. Casey Foundation, 701 St. Paul Street, Baltimore, MD 21202; ph: 410-547-6600; fax: 410-547-6624.

WENDY FLEISCHER is an independent consultant who specializes in workforce development. The author gratefully acknowledges the support of the AECF. The conclusions and opinions contained in this brief are those of the author, and do not necessarily reflect those of the AECF or its Board of Directors.

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